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Message Text

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INFO OCT-01 ADP-00 INRE-00 AF-10 ARA-11 EA-11 EUR-25

NEA-10 RSC-01 SS-15 NSC-10 L-03 CIAE-00 INR-10

NSAE-00 TRSE-00 OMB-01 H-02 IOE-00 EB-11 USIA-12

PRS-01 PA-03 RSR-01 SCI-06 /157 W
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FM USMISSION IAEA VIENNA
TO SECSTATE WASHDC PRIORITY 2689
INFO AEC GERMANTOWN

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E. O. 11652: N/ A
TAGS: AORG AFIN IAEA
SUBJECT: EFFECTS OF CURRENCY RE- ALIGNMENT ON IAEA 1973 BUDGET

REF: IAEA VIENNA 1223

1. SUMMARY: TOTAL FISCAL EFFECTS CURRENCY RE- ALIGNMENTS SUBSEQUENT TO DOLLAR DEVALUATION IN IAEA APPROVED 1973 BUDGET CALCULATED AT $1,568,000. AFTER CALCULATION OF UNBUDGETED COST INCREASES AND POSSIBLE BUDGETARY SAVINGS FOR 1973, DG WILL RECOMMEND SUPPLEMENTARY APPROPRIATION FOR 1973 IN AMOUNT OF $1.3 MILLION, WITH SUPPLEMENTARY ASSESSMENT, UNDER PRESENT CONDITIONS, OF $1.25 MILLION. MISSION RECOMMENDS APPROVAL. ACTION REQUESTED: INSTRUCTIONS. END SUMMARY.

2. DG WILL MAKE ABOVE RECOMMENDATIONS IN PAPER (NOT YET CIR- CULATED) TO BE PRESENTED FOR DISCUSSION AT BOARD ADMINISTRATIVE AND BUDGETARY COMMITTEE MEETING ON MAY 8. REQUEST INSTRUCTIONS PRIOR THIS MEETING. COPIES OF TABLES SHOWING DETAILS OF CALCULATION OF EFFECTS OF CURRENCY RE- ALIGNMENT, UNBUDGETED COST INCREASES, AND POSSIBLE BUDGETARY SAVINGS AND AIRMAILED KENT, IO/ SCT, ON APRIL 9.

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3. EFFECTS OF CURRENCY RE- ALIGNMENT RESULT PRIMARILY FROM CHANGE IN AUSTRIAN SCHILLING (AS)/ US DOLLAR PARITY FROM AS 23.20 TO AS 21.00 EQUALS US $1.00, EFFECTIVE MARCH 1. THIS IS BASES ON OFFICIAL UN RATE. IN ADDITION, OFFICIAL UN RATE WAS REDUCED FROM AS 23.30 TO AS 23.20 EFFECTIVE JANUARY 1, 1973, SUBSEQUENT TO APPROVAL OF 1973 BUDGET, RESULTING IN ADDITIONAL FISCAL EFFECT OF $28,000. SUMMARY OF CALCULATED EFFECTS OF MARCH 1 CHANGE AS FOLLOWS:

POST ADJUSTMENT - 3 ADDITIONAL CLASSES FOR 10 MONTHS	$ 555,000
GS/ M& O SALARIES	299,000
COMMON STAFF COSTS	147,000
COMMON SERVICES, SUPPLIES AND EQUIPMENT	150,000
ALLOTHER (INCL. TRAVEL, MEETINGS, ETC.)	189,000
LOSS ON EXCHANGE (SEE BELOW)	200,000
SUB- TOTAL	$1,540,000
EFFECT 1/1/73 REDUCTION IN UN RATE	$ 28,000
TOTAL IMPACT OF CURRENCY RE- ALIGNMENT ON APPROVED LEVEL OF 1973 BUDGET	$1,568,000

NOTE: LOSSES ON EXCHANGE ARE INCURRED WHEN BANK RATE AT WHICH AGENCY BUYS SCHILLINGS IS BELOW OFFICIAL UN RATE AT WHICH IT PAYS THEM TO STAFF, ETC. THIS MAY EVEN BE UNDERESTIMATE; LOSSES EQUAL TO NEARLY HALF THIS FIGURE HAVE ALREADY BEEN INCURRED, SINCE BANK RATE FOR SCHILLINGS HAS BEEN WELL BELOW 21.00 MOST OF THE TIME SINCE DOLLAR DEVALUATION.

4. UNBUDGETED PRICE INCREASES FOR 1973 CALCULATED AT $724,000, PRIMARILY FROM INCREASES IN POST ADJUSTMENT DUE TO VIENNA COST- OF- LIVING INDEX RATHER THAN CURRENCY RE- ALIGNMENT (ONE CLASS EFFECTIVE JANUARY 1 APPROVED BY FEBRUARY BOARD, WHILE AGENCY UNOFFICIAL EXTRAPOATION OF CURRENT INDEX TRENDS SHOWS IT LIKELY ANOTHER WILL BE REQUIRED AS OF JULY 1, WHICH WOULD BE APPROVED BY SEPTEMBER BOARD, IF INDEX PERFORMS AS PROJECTED). FYI: FULL BREAKDOWN THIS FIGURE WILL NOT RPT NOT BE PUBLISHED BY AGENCY SINCE ONE COMPONENT IS PROJECTED 6 PER CENT SALARY INCREASE FOR GS/ M& O EMPLOYEES FOR LAST THREE MONTHS OF 1973. PUBLICATION LATTER FIGURE COULD PREJUDICE AGENCY' S POSITION IN NEGOTIATIONS WITH GS/ M& O EMPLOYEES LATER THIS YEAR. NO PUBLIC REFERENCE SOULD BE MADE TO AGENCY' S BREAKDOWN ON ABOVE PRICE INCREASE FIGURE. END FYI.

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5. (CALCULATION OF BUDGETARY SAVINGS FOR 1973 SHOWS POSSIBLE FIGURE OF $972,000. THIS DRAWN PRIMARILY FROM INCREASED LAPSE IN RECRUITMENT OF STAFF FOR AUTHORIZED POSITIONS, PLUS $50,000 REDUCTION IN OFFICIAL TRAVEL MANDATED AFTER DOLLAR DEVALUATION. AGENCY CALCULATES THAT THESE SAVINGS CAN BE APPLIED TO OFFSET FULL IMPACT OF UNBUDGETED COST INCREASES, LEAVING $248,000 AS OFFSET AGAINST EFFECTS CURRENCY RE- ALIGNMENT. IN ADDITION, UNANTICIPATED INCOME OF $20,000 FROM EXCHANGE OF OTHER CURRENCIES INTO DOLLARS WILL SERVE AS FURTHER OFFSET, SUPPLEMENTAL APPROPRIATION OF $1.3 MILLION WILL BE REQUIRED TO COVER REMAINDER OF CURRENCY RE- ALIGNMENT EFFECTS (RESULTING IN TOTAL REVISE APPROVED LEVEL OF $19,427,000 FOR 1973 BUDGET).

6. MISSION HAS NOTED IN PAST THAT DG INSISTENCE ON ACHIEVING MAXIMUM SAVINGS (RATHER THAN RESORTING TO SUPPLEMENTAL REQUESTS) BY MEANS OF INCREASING LAPSE BEFORE FILLING AUTHORIZED POSITIONS HAS COME CLOSE TO HAMPERING IMPLEMENTATION OF SOME AGENCY PROGRAMS AND, IN SOME CASES, HAS RESULTED IN DELAY IN PROGRAMS OF INTEREST TO US. MISSION FELLING IS THAT IN ABOVE CALCULATION DG MAKES MAXIMUM POSSIBLE USE (WHICH MAY INDEED BE OVERUSE) OF THIS AVENUE OF ACHIEVING SAVINGS. DG HAS WARNED IN PAST (REFTEL) THAT AGENCY CANNOT EAT ESCALATING COSTS INDEFINITELY WITHOUT PROGRAM CUTS. MISSION FEELS THAT PROPOSED SUPPLEMENTARY APPROPRIATION OF $1.3 MILLION IS REQUIRED IF AGENCY PROGRAM NOT TO SUFFER CONSIDERABLE DAMAGE DUE TO ABSENCE OF BODIES FROM AUTHORIZED STAFF POSITIONS CONSEQUENT TO FURTHER ATTEMPTS ABSORB COST INCREASES. ACCORDINGLY, MISSION RECOMMENDS THAT US SUPPORT SUPPLEMENTARY APPROPRIATION THIS LEVEL FOR 1973 WHEN RECOMMENDED BY DG.

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INFO OCT-01 ADP-00 INRE-00 AF-10 ARA-11 EA-11 EUR-25

NEA-10 RSC-01 SS-15 NSC-10 L-03 CIAE-00 INR-10

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7. SUPPLEMENTARY APPROPRIATION WILL BE FINANCED AS FOLLOWS:
A. APPLICATION OF FINAL CASH SURPLUS FOR 1971, IN LIEU OF DISTRIBUTION THIS SURPLUS TO MEMBERS. BOARD APPROVAL OF WAIVER OF APPLICABLE FINANCIAL REGULATIONS TO ALLOW THIS WILL BE REQUESTED IN JUNE. AMOUNG - $16,433.
B. APPLICATION OF CONTRIBUTIONS RECEIVED FROM NEW MEMBERS. AT PRESENT, BANGLA DESH, WHICH WAS ADMITTED TOO LATE IN 1972 FOR INCLUSION IN 1973 SCALE OF ASSESSMENTS (SEE ALSO PARA 9 BELOW). AMOUNT AT PRESENT - $6,307.
C. APPLICATION OF ANY FINAL CASH SURPLUS FOR 1972. PROVISIONAL CASH DEFICIT AS OF 12/31/72 SHOULD BE CONVERTED INTO SMALL CASH SURPLUS DURING 1973 BY PAYMENT OF ARREARAGES OF 1972 ASSESSMENTS AND SAVINGS ON UNLIQUIDATED 1972 OBLIGATIONS; THIS WOULD BE POSSIBLE ONLY BY ASSUMING SOMEWHAT HIGHER LEVEL OF PAYMENT OF ARREARAGES THAN NORMAL, BUT SECRETARIAT ESTIMATES THIS QUITE REASONABLE ASSUMPTION IN VIEW OF SPECIAL APPEAL TO BE MADE BY DG TO MEMBERS IN ARREARS. ESTIMATED AMOUNT APPROXIMATELY $27,000, SUBJECT TO AMOUNT OF PAYMENT DURING YEAR.
D. SUPPLEMENTAL ASSESSMENT ON MEMBERS. AMOUNT - $1,250,000.

8. REQUIRED LEVEL OF SUPPLEMENTARY ASSESSMENT (7. D) MAY BE REDUCED IN EVENT GDR IS ADMITTED AS MEMBER BY SEPTEMBER GC, WHICH NOW SEEMS VIRTUALLY CERTAIN (ITS APPLICATION EXPECTED COME BEFORE
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BOARD FOR RECOMMENDATION IN JUNE). AS WAS CASE WITH BANGLA DESH IN 1972, GDR MAY ELECT TO DEPOSIT INSTRUMENT OF ACCEPTANCE OF STATUE AND TAKE SEAT IMMEDIATELY AFTER GC APPROVAL ITS APPLICATION (FYI: SOVIETS HAVE HINTED THAT THIS MIGHT BE GDR DESIRE, BUT AS YET MISSION HAS NO FIRM INDICATION OF GDR INTENTIONS IN THIS REGARD. END FYI).
AGENCY FINANCIAL REGULATIONS PROVIDE THAT ANY NEW MEMBER IS LIABLE FOR PAYMENT OF ASSESSMENT FOR ENTIRE YEAR IN WHICH IT BOCOMES MEMBER; THIS RULE HAS NEVER BEEN WAIVED. IN EVENT GDR COMPLETES FORMALITIES FOR BECOMING MEMBER IN 1973, IT WOULD BE LIABLE FOR IMMEDIATE PAYMENT OF ASSESSMENT WITH PROBABLE MAGNITUDE ON ORDER $300,000. SINCE 1974 SCALE OF ASSESSMENTS IS CALCULATED ON BASIS AGENCY MEMBERSHIP AS OF AUGUST 31, 1973, GDR ASSESSMENT WOULD BE ADDITIONAL TO PREVIOUSLY CALCULATED ASSESSMENTS FOR BOTH 1973 AND 1974, AND AMOUNT IT PAID WOULD REDUCE REQUIREMENTS CONSEQUENT TO CURRENCY RE- ALIGNMENT FOR BOTH YEARS.

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9. AGENCY IS UNOFFICIALLY HIGHLY ALIVE TO THIS POSSIBILITY, BUT SECRETARIAT CANNOT OFFICIALLY STATE ANY PREJUDGMENT OF BOARD AND GC ACTION ON PENDING MEMBERSHIP APPLICATION. IN EVENT GDR MEMBERSHIP IS APPROVED AT OPENING OF GC AND GDR COMPLETES FORMALITIES (OR GIVES FIRM STATMENT ITS INTENTION TO DO SO DURING 1973), PROVISION WILL BE MADE TO REDUCE LEVEL OF 1973 SUPPLEMENTAL ASSESSMENT BY AMOUNT DUE FROM GDR. LATTER AMOUNT WOULD THEN BE ADDED TO NEW MEMBER COMPONENT AT PARA 7. B ABOVE.

10. MISSION RECOMMENDS US SUPPORT ABOVE PROPOSED FINANCING OF SUPPLEMENTAL APPROPRIATION, INCLUDING SUPPLEMENTAL ASSESSMENT FOR 1973 IN AMOUNT OF $1.25 MILLION, SUBJECT TO REDUCTION IN EVENT GDR BECOMES LIABLE FOR PAYMENT PRIOR TO GC ACTION ON SUPPLEMENTAL REQUEST.
DECON 12/31/73 PORTER

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